

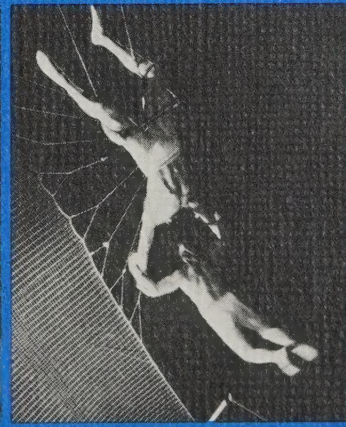
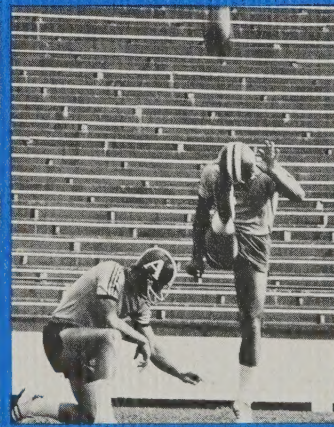
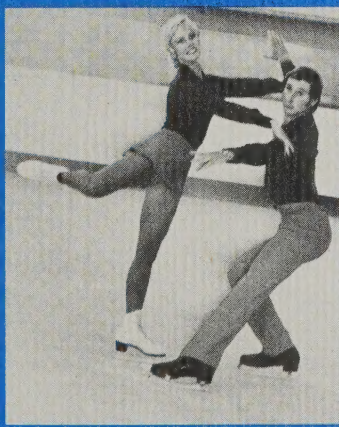
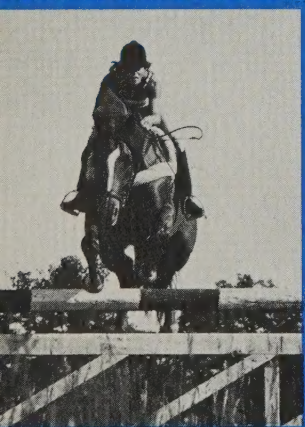
AR80



the Permanent

Canada Permanent Trust Company
Canada Permanent Mortgage Corporation

121st Annual Report 1975



We'll always be here to help you make it.



the Permanent

Canada Permanent Trust Company
Canada Permanent Mortgage Corporation

121st Annual Report 1975

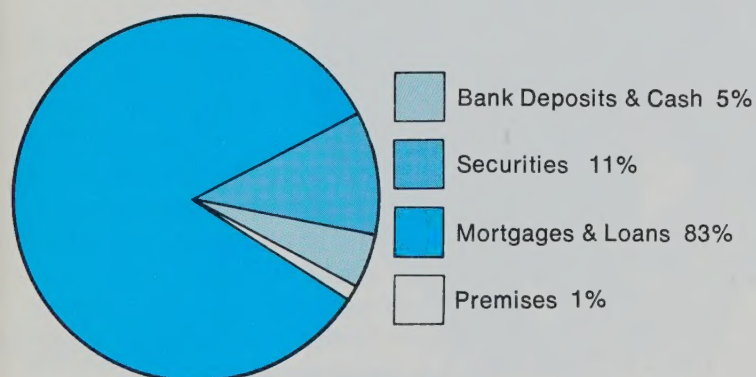
Saving and Chequing Accounts
Term Investments
Savings Certificates
First and Second Mortgages
Personal Loans
Registered Retirement Savings Plans
Registered Home Ownership Savings Plan
Investor and Custodian Service
Real Estate
Property Management
Estate Planning
Executor and Trustee
Corporate Trust Services
Income Averaging Annuities
Investment Fund

Our Standing at a Glance

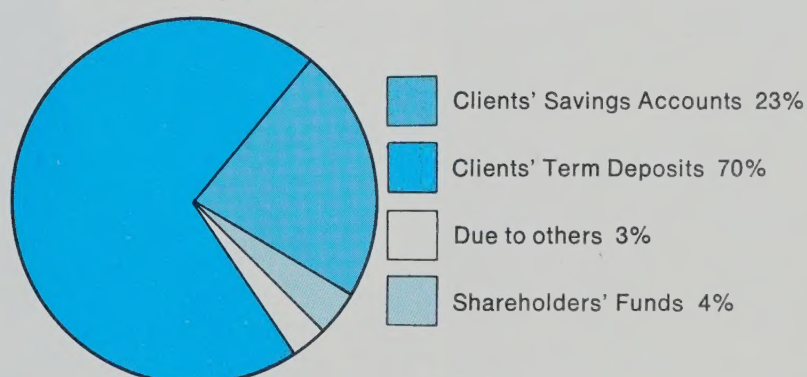
	1975	1974	Percentage increase
Net operating income	\$14,358,000	\$10,940,000	31.2%
Net operating income per share	\$2.02	\$1.54	31.2%
Net income per share	\$2.04	\$1.55	31.6%
Dividends per share	\$1.00	\$1.00	
Deposits, debentures and guaranteed investment certificates	\$2,538,343,000	\$2,066,567,000	22.8%
Mortgages	\$2,146,216,000	\$1,792,821,000	19.7%
Estates, trusts and agencies	\$2,407,591,000	\$2,389,737,000	.7%
Number of shareholders	5,684	5,831	
Number of employees	2,652	2,647	

The Funds Entrusted to us

How they are invested

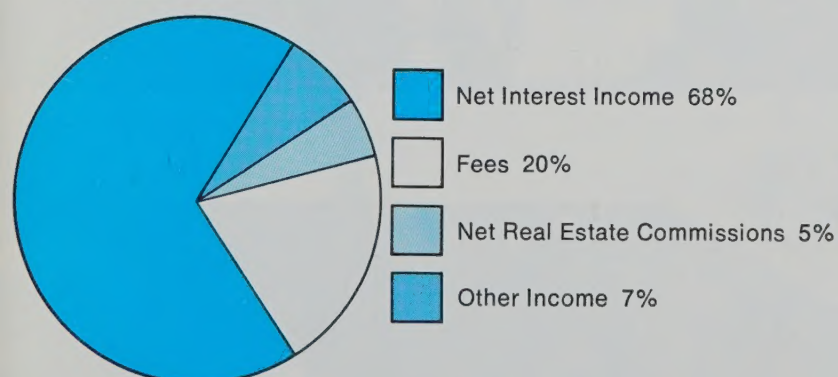


To whom they are due

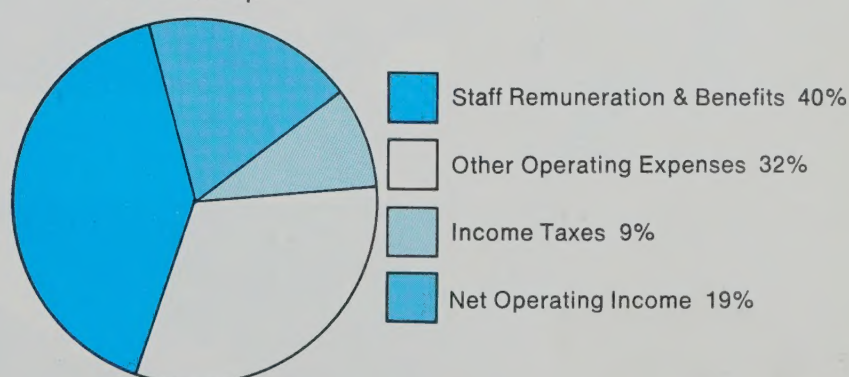


Our Income dollar in 1975

Where it came from



How it was spent



"The Permanent. We'll always be here to help you make it." This is our promise and our philosophy. And this year we've presented our promise and philosophy to our customers in the most intensive communications program yet. It has been a very important year for us at the Permanent, and for you, the shareholders. It marks the beginning of a new era in our marketing communications. One where our corporate personality has been depicted in a new, dramatic and more meaningful way, as you will see in succeeding pages of this report.

Getting over life's hurdles often takes money. At the Permanent, we can help you with just about any financial plan. When it comes to money, you never need to go anywhere else.



To Our Shareholders

The economic and financial market developments of 1975 produced no great surprises. High levels of inflation and unemployment persisted but were accompanied by some evidence of recovery from the serious 1974 recession. For the trust and loan industry the operating environment proved to be considerably more favourable.

The dramatic drop in short term interest rates early in the year had the effect of easing the pressure on profit margins which had narrowed considerably since mid-1973. By late spring, however, the trend of interest rates had begun to reverse itself, and although the previous high levels were not scaled, interest rate spreads tended to level off.

Despite a reduction in new construction activity, mortgage loan demand was strong throughout 1975. This reflected continued buoyancy in the resale market, rising house prices, and a demand for housing far in excess of available supply.

The competition for saving dollars remained intense during the year as private sector needs were augmented by the ever-growing financial demands of government. In the trust and loan industry, various savings vehicles such as Registered Retirement Savings Plans and the more recently introduced Registered Home Ownership Savings Plan showed exceptional volume increases, confirming the growing preference for investment vehicles offering tax deferral opportunities.

It is against this background that we review particulars of the Company's progress.

The Financial Picture

Net operating income for the year increased 31% to \$14,358,000 or \$2.02 per share, compared with \$10,940,000 or \$1.54 per share earned during 1974, both figures for 1975 establishing records. At the same time gross assets increased at the unprecedented rate of \$513 million or 23%, and reached a level of \$2,726,390,000.

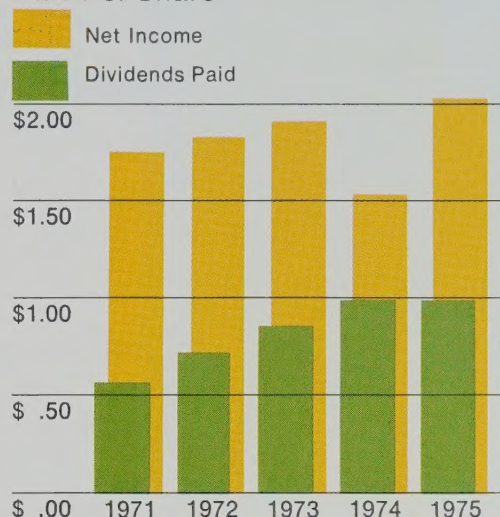
Gross revenues rose to \$255 million, up 22% from last year with virtually all product groups contributing.

Interest expenses increased to \$178,694,000, up 22% or \$32,006,000 over the figure of last year.

The average earned spread on all borrowed funds increased during the year to 1.685 from 1.358 earned during 1974. A higher spread occurs for the company during periods of decreasing interest rates in relation to those years when rates tend to be increasing. It may be recalled the chartered bank rate for prime business loans stood at 10.50 at the beginning of 1975, decreased to 9.0 in February and stayed in a range of 9.0 to 9.75 during the balance of the year, whereas during 1974 the rate moved in the range of 10.50 to 11.50.

The company's employee compensation and benefits program, together with general expenses, increased by \$9,482,000, or 21%. The increase reflects inflationary pressures, but in large measure it is the result of substantial expenses

Net Income & Dividends Paid Per Share

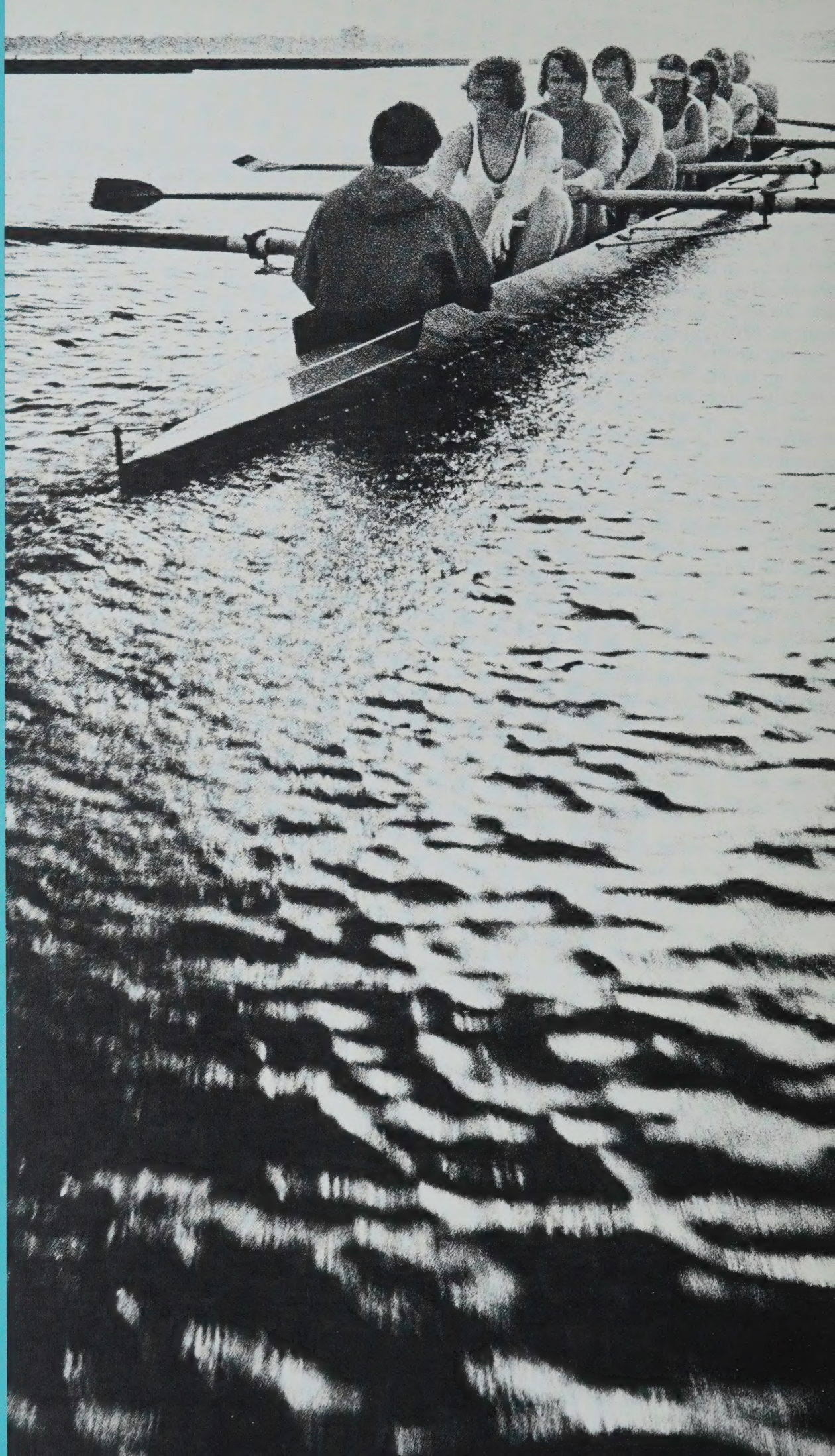


Company Assets & Mortgages in Millions of Dollars



There are several major components of the Permanent's communications program. The main one (and the one most familiar to you all, by now) is the changeover to our new marketing name—the Permanent—and our new corporate symbol. This total changeover—our "new look"—was completed in the fall of 1975, when we began the next part of the program.

Planning a sound financial future takes teamwork. At the Permanent, we can guide you into the tax-sheltering, savings plan that's best for you. We'd like to help you pull it all together.



incurred to promote corporate identification and branch expansion programs, as well as to automate onerous clerical tasks.

Our Product Line

Mortgages

Our lending operations continue to be a valuable source of funds for Canadian home buyers. Despite fewer housing starts in Canada during the year, the Permanent achieved a record volume of new mortgage loans. At year's end total mortgage investments stood at \$2.1 billion, an increase of 20%. The attainment of a two billion dollar mortgage portfolio in September was a significant milestone, coming only five years after the one billion dollar mark was passed.

Personal Loans

We are proud too of our personal loan service; in our third full year of operation we have continued to maintain a high growth rate for the industry, coupled with a very satisfactory delinquency and loss ratio. The recent inclusion of second mortgages as acceptable collateral will enable us in the coming year to help even more customers with their borrowing needs.

Deposits

Our deposit taking operations experienced unprecedented growth in 1975, with a twelve-month increase of \$471.8 million, or 23%, for a year-end total of \$2.5 billion.

The security and convenience of our range of deposit instruments—debentures, guaranteed investment certificates, saving certificates and savings accounts, obviously have great appeal to Canadians everywhere. The continuing popularity of

Plum Service, a package of free services to savings customers, played a most important role in helping us to add over 50,000 new depositors in 1975.

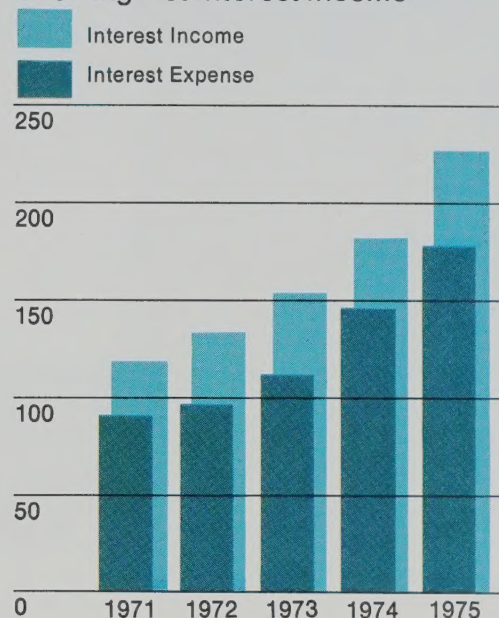
RRSP and RHOSP

1975 has been another outstanding year for our Registered Retirement Savings Plans, with a growth of 35% in our customer base, and a fund total at year's end of \$203.7 million. Another source of deposits is the Registered Home Ownership Savings Plan, introduced in 1975, which has produced most gratifying results in terms of monies invested in our Guaranteed Fund. In spite of intensive competition from Canada's major chartered banks and all other trust companies, we secured approximately 7% of the total number of RHOSP accounts opened in 1975. This represents approximately 14% of the total business acquired by the trust industry.

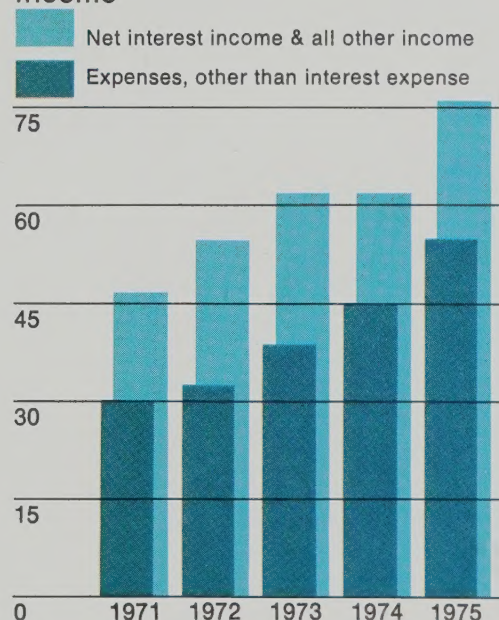
Personal Trust

The Trust Companies received some encouragement during the year in the area of executors' and trustees' compensation. Legislation was introduced in New Brunswick recognizing the validity of annual care and management fees and, following representation by the Trust Companies' Association, Surrogate Court judges in Ontario have been receptive to commission claims higher than the generally recognized rates that have prevailed for the last twenty years. We recorded a twenty percent increase over 1974 levels in Custodian and Investor Service fees, and these combined with Estate and Trust fees, have brought the yield from our personal trust operations to \$10.4 million.

Interest Income & Interest Expense in Millions of Dollars Showing Net Interest Income



Net Margin & Expenses in Millions of Dollars, Showing Operating Income



In mid-September, we introduced the next part of the communications program—a major advertising campaign designed to attain for the Permanent a distinctive company image and a higher company profile. Because it is the most forceful medium, the major thrust of this campaign is on television. And it is being supported by newspaper advertising and branch promotion activity as well as by various public relations programs.

Few people in life get where they want in one stride. It's like that with money. You need support from someone. Whether you're saving, chequing, getting a loan or buying a home, we'll help you get up there.



High Speed Telecommunication Services

The project which we mentioned last year as being under development has now been implemented with most gratifying results. This is the installation of a high speed telecommunications network connecting 42 of our branches coast to coast to the central computer facility at Toronto. Information can now be entered locally on mini-computers which transmit the data to Head Office, enabling master records to be instantly updated. The recent mail strike proved the worth and reliability of the system. We are now working towards providing a corresponding flow of information from Head Office to branches, and establishing a true communications and processing network.

Our Marketing Thrust

In an environment of increasingly keen competition, our marketing efforts assume ever more importance and contribute significantly to the maintenance and enhancement of our position in the marketplace. There has been favourable acceptance of our new marketing name, "the Permanent", and the accompanying visual identity program. At year's end fascia signs at all of our branches had been changed to our new distinctive style which, coupled with our press advertising in the same style and our publicity programs, is aimed at raising our profile in the community.

1975 marked our first significant entry into television, with the launching of a nationwide year-long campaign in prime time, the theme of

which is "We'll always be here to help you make it", emphasizing the many ways in which we may be of service to Canadians. The graphics of these television commercials have been reproduced on the left side of these pages.

Last year we referred to our expansion plans for the network of on-line banking terminals in our Central and Metropolitan Toronto Regions. This has now been enlarged considerably.

Our Regional Operations

Atlantic

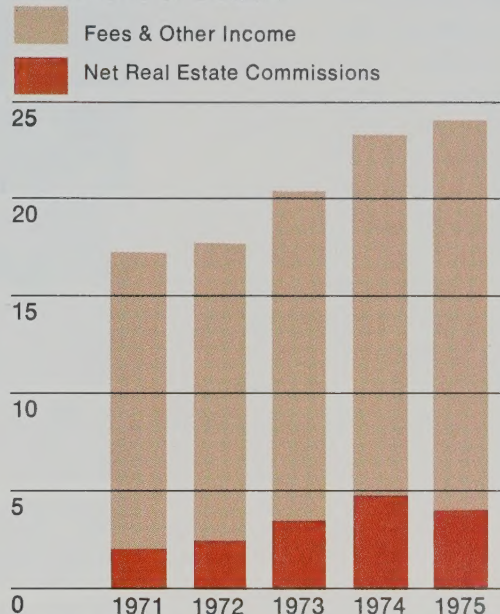
During 1975 we granted 2400 loans totalling \$54 million to finance houses and apartments for our customers in the Atlantic Region, bringing our total mortgage and personal loans for the region to \$215 million. These funds were supplied in part by residents of the region, whose savings with the Permanent now amount to \$180 million, the additional funds to finance our loans coming from other regions.

Premises improvements were made at two locations; Dartmouth branch moved to an attractive new building, and New Glasgow branch was completely renovated. The Atlantic Region is served by 235 employees at ten branches.

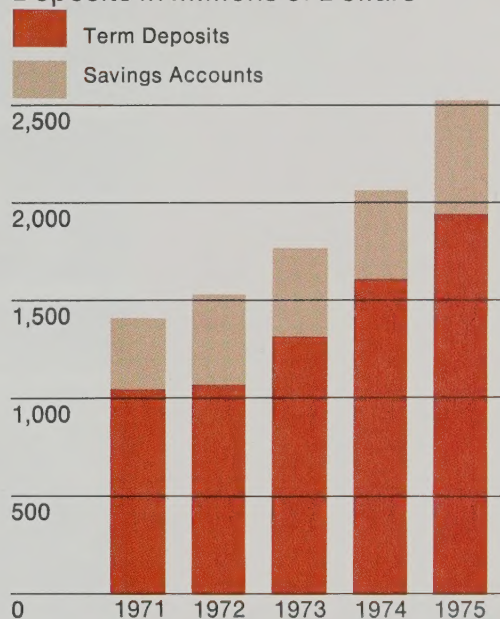
Eastern

Our Eastern Region, which includes the Province of Quebec and our branches at Ottawa and Brockville, has achieved a mortgage and personal loan portfolio of \$179 million, of which some 75% represents residential loans. Funds on deposit in the Eastern Region now stand at \$215 million.

Fees & Commissions in Millions of Dollars

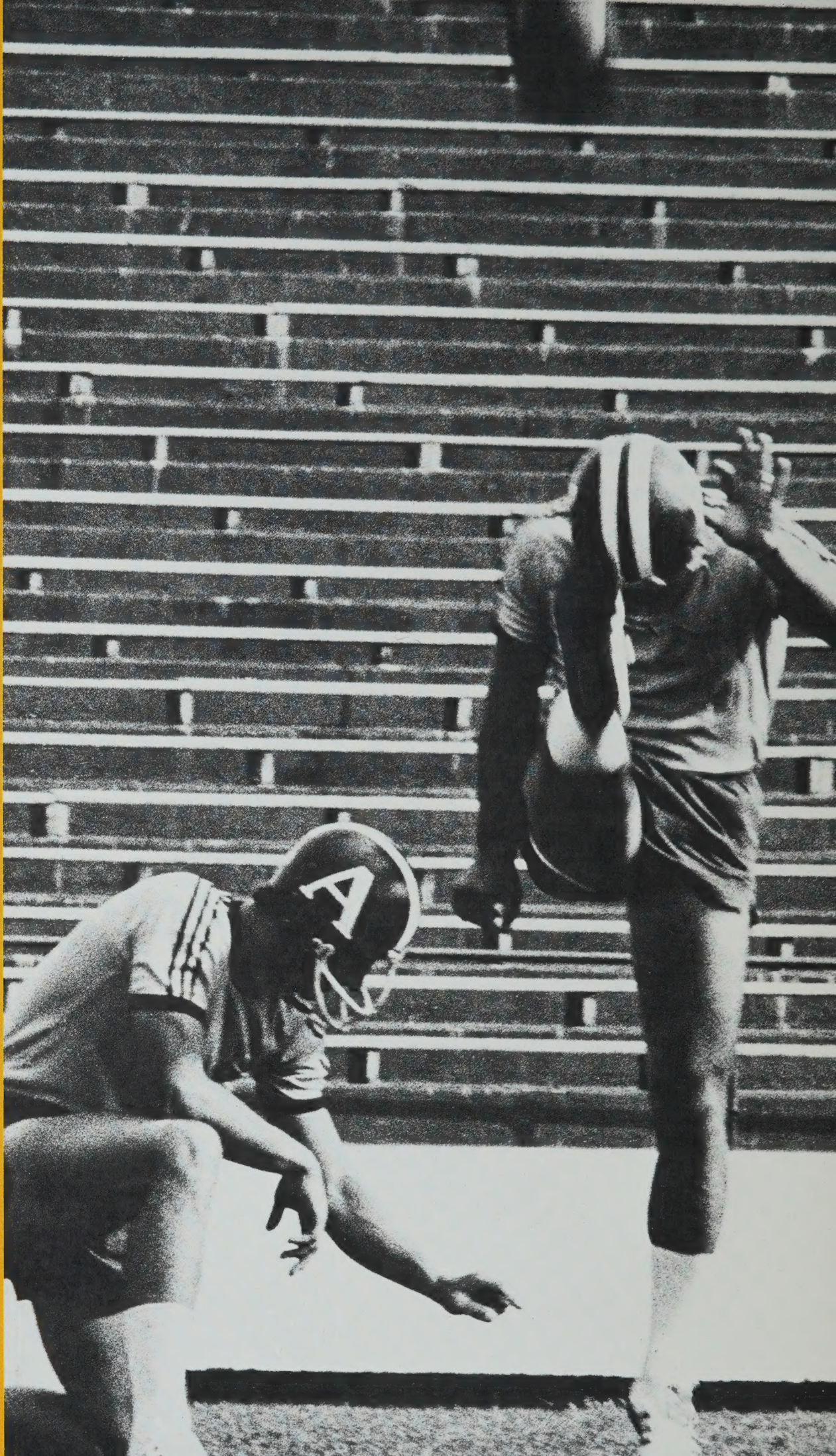


Deposits in Millions of Dollars



The basic content of the advertising in our communications program has been designed to appeal to people pursuing their various goals in life—our contemporary-minded present and prospective customers. People who find their dreams and hopes encompassed in our theme: "The Permanent—we'll always be here to help you make it."

Achieving your goals in life isn't always easy. And money can be a problem. That's why we have Plum Service for saving and chequing.



To enable the Permanent to become better understood by future businessmen, we have established a program of scholarships for university students in their last year of commerce. All universities in the region, namely Bishop's, Carleton, Concordia, Laval, McGill, Montreal, Ottawa, Quebec and Sherbrooke, participate in the program. The Eastern Region has a staff of 195, at six branches.

Metropolitan Toronto

Lending operations in Metropolitan Toronto expanded by some 22.6% during 1975, the total of mortgage and personal loans now standing at \$337 million. An increase of 21.6% brought our total deposits to a record \$807 million. Thus as illustrated by the accompanying chart, the Permanent is a net borrower of funds in Toronto, and the region is the primary source of financing for those regions in which we are a net lender.

During the year we opened one new branch and two existing branches were moved to new locations. Furthermore we undertook extensive renovations at a number of branches to complement our new image.

Some 666 employees serve in the region, of whom 395 are at our flagship branch at Yonge-Eglinton Centre, and 271 offer our services through nineteen other branches in Toronto.

Central

The demand for housing remained strong in our Central Region during 1975, leading to our accomplishing a net increase of 23.5% in our mort-

gage and personal loan portfolio, for a year-end total of \$672 million. Deposits, too, showed encouraging gains, with \$436 million now entrusted to us by residents of the region.

We have continued with our program of upgrading our premises. Well planned renovations in Sarnia enable us to serve our customers efficiently in modern surroundings. Port Hope and Hamilton have also been attractively improved. We were fortunate in acquiring an excellent location for our branch in Kitchener, and a building is now being constructed on this site for completion in 1976.

Central Region employs 331 people in fourteen branches.

Western

Our Western Region, comprising the Provinces of Manitoba, Saskatchewan and Alberta, as well as our branch at Thunder Bay, Ontario, has had a record year. At year's end mortgages and personal loans stood at \$284 million, representing the bulk of the \$334 million deposited by our customers in the region.

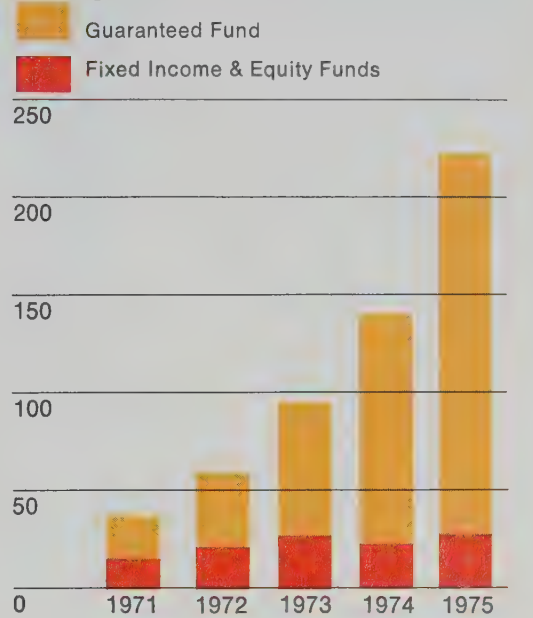
During the year our shares were listed on the Alberta Stock Exchange, giving us the opportunity to reaffirm our interest in this vital region in Canada's economy.

Customers in our Western Region are served by 267 employees at seven branches.

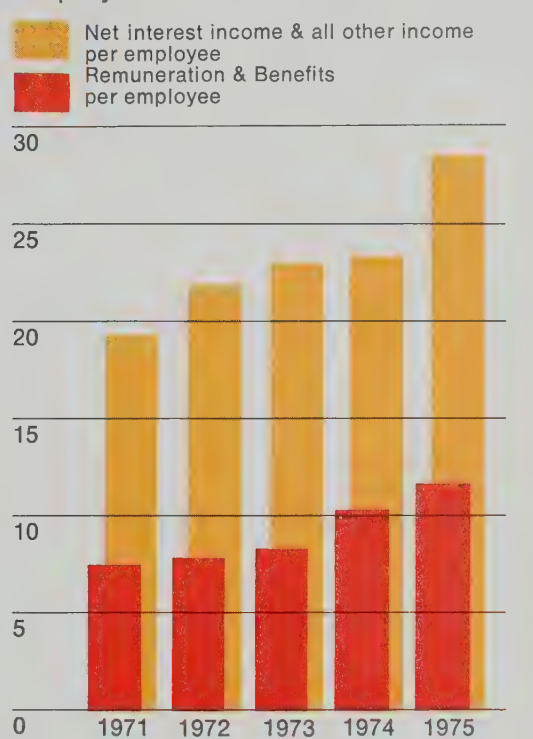
Pacific

Mortgages and Personal Loans in our Pacific Region reached a total of \$480 million at year's end, funded partly from deposits in other regions, and partly by deposits from Pacific Region customers totalling \$240 million.

Registered Retirement Savings Plans & Registered Home Ownership Savings Plans in Millions of Dollars



Net Margin Per Employee & Remuneration & Benefits Per Employee in Thousands of Dollars



Our theme "we'll always be here to help you make it" and the series of situations illustrated in this report, were designed to empathize with our customers. We want to let them know that the Permanent provides exceptional service and individual attention in savings, loans, investments, estate administration and real estate services.

Our new communications program coupled with our new marketing name and symbol, and the contribution from employees in meeting customer requirements, lead us to expect a major increase in favourable awareness—and consequently in the number of customers we serve—throughout Canada in the coming year.

Sometimes in life you need a little more than your own effort. You need support from someone. We can give you a hand with a personal loan.



In June a very successful promotion was held at Penticton to celebrate the Permanent's ten years in the community, and the branch was completely renovated and enlarged for the occasion. Our main Vancouver Branch moved to its new location in the Pacific Centre in August, and the results to date indicate that we are providing a valuable service for our Vancouver customers. At our former location, 455 Granville Street, the ground floor savings department has been modernized. During 1976 we plan to open a new branch in North Vancouver, our fifth in the greater Vancouver area.

335 staff members serve our Pacific Region customers, at nine branches and two representative offices.

Report on Subsidiaries and International Operations

1975 was the first full year of operation for CanPerm Realty Limited, a wholly owned subsidiary formed to participate in real estate investment and development activities. A major CanPerm venture is the construction of a ten-storey office tower at a prestige location in Prince George, B.C., which will help fill a need for prime office space in the city. Our continued confidence in the area will be demonstrated by the relocation of our Prince George branch in attractive surroundings on the ground floor of this building.

Through our London office, now in its third year of operation, we have developed an association with AFI S.A. Corporation, a broadly diversified financial group with assets in excess of one hundred million dollars. AFI has offices in

Milan, Geneva, Paris, London and New York, and its interests in common market countries range from insurance, reinsurance, and banking to hotels, tourism and publishing. Our participation consists of a thirty per cent holding in AFI International Limited, a bank with headquarters in London, and an option to buy another twenty-one per cent. With this base, we look forward to developing a strong and profitable foothold in international markets.

2652 People Work For The Permanent

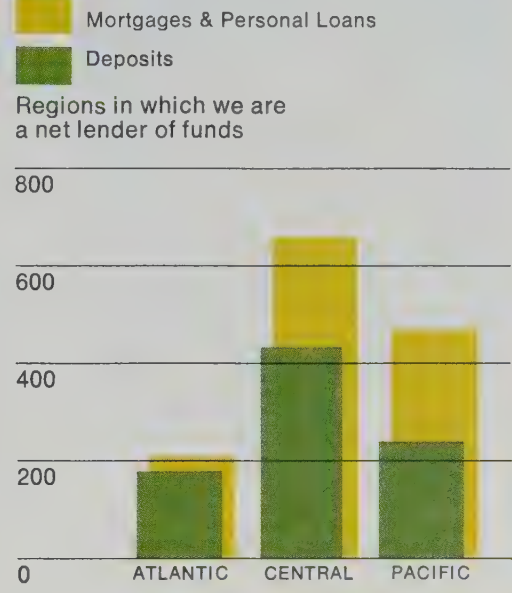
We are fully aware of, and deeply appreciate, the part played by our staff in helping us meet our objectives. Throughout 1975, the Permanent continued to address itself towards meeting the needs of its employees. For example, we are mutually benefiting from a full year's experience of "Speak Out"—the confidential communication channel between employees at all levels and senior management, referred to in last year's report.

We are interested in co-operating with the needs and desires created by our employees' differing life-styles, and for this reason have conducted a flexible hours pilot project in Toronto. This was successful, and, where practical, the concept will be extended in 1976.

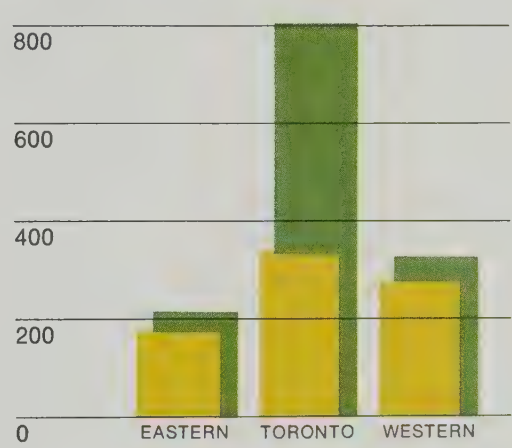
We are very much aware, too, of the special role played by long term employees whose skill and dedication have contributed in so many ways to our success over the years. As a result, four regional 25-year clubs have been established. The members meet regularly, and the company has extended special privileges to them.

To meet intensified competition, we made a major investment this year by increasing substantially the number of staff assigned to serve customers in the savings and personal loan area. We have also implemented a marketing training program for many of our savings and loan staff.

Borrowing & Lending by Region in Millions of Dollars



Regions in which we are a net borrower of funds



Senior Management Changes

In February, A. Bruce Matthews, C.B.E., D.S.O., retired as Chairman of our Board of Directors, having served six years in this capacity, during which time the company experienced record growth in total assets, and more than doubled its net profit. Mr. Matthews continues as a Director and as Chairman of the Executive Committee of the Board. Donald G. Neelands, Q.C., was elected Chairman of the Board and Chief Executive Officer, and Eric J. Brown, Q.C., was elected President. In December, A. W. Nicolle was appointed Vice-President Atlantic Region following the retirement of J. K. Wedlake after a long and distinguished career with the company.

Directors and Advisory Boards

Through the retirement provisions of the legislation which governs our operations, two of the Directors of Canada Permanent Trust Company, Thomas Wilding and Kenneth A. Wilson, Q.C., were ineligible for re-election in 1975. Also we record the retirement of J. W. Rose from the Board. The resignations of D. C. Marrs and B. R. B. Magee were accepted on their election to the boards of chartered banks, and that of Peter Morse upon his appointment to the Court of Queen's Bench,

Province of Manitoba. We wish to record our appreciation to all of the above for their valued advice and counsel.

We welcomed to our Board, Eric J. Brown, Q.C., upon his election as President of both of our companies, as well as Robert Armstrong of Toronto and Lorne Campbell, Q.C., of Winnipeg.

Persons prominent in business, the professions and community affairs constitute Advisory Boards at many of our branches and while, for various reasons, members of our Advisory Boards are obliged to discontinue their relationship with us from time to time, we do appreciate the assistance and support that they have so readily given, and we welcome those who come to take their place.

In 1975 Mrs. Margaret Lockhart and Sumner Fraser joined our Advisory Board at Moncton. We welcomed Alan O. Gibbons at Ottawa, T. Lloyd Welch at Montreal, and R. R. McDaniel and Robert Stollery at Calgary and Edmonton respectively.

Outlook For 1976

There are indications that 1976 could see the start of worldwide economic recovery from what has proved to be the longest and most serious recession since the 1930's. But the promise of this recovery is by no means assured. For Canada the improvement is likely to be both tentative and fragile, and its continuation will depend upon the vigor of the upturn abroad and the extent to which domestic unemployment and inflation rates can be controlled and public confidence restored.

The government anti-inflation program now taking shape, introduces a new factor on the national economic scene, the effects of which are impossible to gauge at this time.

One aspect of the program with which we must all be concerned is that the removal of the incentive to grow and to realize an increased profit may result in inefficiency and waste which could further damage our productivity and our international trading position.

The specific impact of the controls on our Company, in terms of asset growth and of earnings, cannot yet be assessed. We hope that it will not mean any curtailment of our objectives for 1976, particularly in the field of mortgage lending.

In any event, now that the program has been initiated, we take the position that it must receive the unqualified and conscientious support of all responsible Canadians. Our policy will be to adhere to the spirit and intent of the program with communication to the government of constructive suggestions as the need arises.



A handwritten signature in dark ink, reading "D.G. Neelands Q.C." in a cursive style.

Donald G. Neelands Q.C.,
*Chairman and
Chief Executive Officer*



A handwritten signature in dark ink, reading "Eric J. Brown Q.C." in a cursive style.

Eric J. Brown Q.C.,
President

Consolidated Statement of Income

Year ended December 31, 1975
(with comparative figures for 1974)

	1975	1974
Income		
Interest from mortgage and other loans	\$200,077,000	\$159,005,000
Interest and dividends from securities	30,264,000	25,936,000
	230,341,000	184,941,000
Estate, personal trust and investment management fees	9,341,000	9,029,000
Corporate service fees	3,652,000	3,581,000
Pension trust fees	1,821,000	1,538,000
Net real estate commissions	3,838,000	4,493,000
Other operating income	5,569,000	4,889,000
	254,562,000	208,471,000
Expense		
Interest	178,694,000	146,688,000
Staff remuneration and benefits	30,729,000	27,025,000
Premises expense	6,036,000	5,216,000
Other operating expense	18,038,000	13,079,000
	233,497,000	192,008,000
Operating income before income taxes (note 3(b))	21,065,000	16,463,000
Income taxes (note 6)		
Current	4,298,000	1,409,000
Deferred	2,409,000	4,114,000
	6,707,000	5,523,000
Net operating income	14,358,000	10,940,000
Gain on disposal of assets (note 7)	117,000	38,000
Net income for the year	\$ 14,475,000	\$10,978,000
Earnings per share		
Net operating income	\$2.02	\$1.54
Gain on disposal of assets	.02	.01
Net income for the year	\$2.04	\$1.55

Consolidated Statements of General Reserve and Retained Earnings

Year ended December 31, 1975
(with comparative figures for 1974)

	1975	1974
General Reserve		
General reserve, beginning of year	\$82,318,000	\$78,318,000
Appropriation from retained earnings	5,000,000	4,000,000
General reserve, end of year (including \$36,328,000 contributed surplus)	\$87,318,000	\$82,318,000
Retained Earnings		
Retained earnings, beginning of year	\$10,685,000	\$10,809,000
Net income for the year	14,475,000	10,978,000
	25,160,000	21,787,000
Deduct:		
Dividends (note 8)	7,102,000	7,102,000
Appropriation to general reserve	5,000,000	4,000,000
	12,102,000	11,102,000
Retained earnings, end of year	\$13,058,000	\$10,685,000

Consolidated Balance Sheet

December 31, 1975
(with comparative figures at December 31, 1974)

	1975	1974
Assets		
Bank deposit receipts and cash	\$ 124,274,000	\$ 88,406,000
Securities (note 2)		
Bonds and debentures	198,556,000	179,777,000
Stocks	104,945,000	87,142,000
	303,501,000	266,919,000
Loans		
Mortgages	2,146,216,000	1,792,821,000
Personal and secured commercial loans	119,456,000	31,565,000
Advances to estates, trusts and agencies	5,700,000	8,940,000
	2,271,372,000	1,833,326,000
Office premises and equipment (note 3)	27,243,000	24,183,000
	\$2,726,390,000	\$2,212,834,000

We hereby certify that to the best of our knowledge and belief the consolidated balance sheet at December 31, 1975 and the accompanying consolidated statements of income, general reserve, retained earnings and changes in financial position for the year then ended are correct and show truly and clearly the financial condition of the Companies' affairs at December 31, 1975 and the results of their operations and the changes in their financial position for the year then ended.

D. G. Neelands
Chairman

Eric J. Brown
President

} Directors

	1975	1974
Liabilities		
Demand deposits	\$ 615,931,000	\$ 476,072,000
Debentures and guaranteed investment certificates	1,922,412,000	1,590,495,000
	2,538,343,000	2,066,567,000
Other liabilities		
Income taxes payable	3,984,000	
Dividend payable	1,775,000	1,775,000
Accounts payable	23,055,000	15,441,000
Notes payable (note 4)	20,400,000	
	49,214,000	17,216,000
Deferred income taxes	24,254,000	21,845,000
Shareholders' Equity		
Capital stock		
Authorized—10,000,000 shares of the par value of \$2 each		
Issued—7,101,455 shares	14,203,000	14,203,000
General reserve	87,318,000	82,318,000
Retained earnings	13,058,000	10,685,000
	114,579,000	107,206,000
	\$2,726,390,000	\$2,212,834,000

AUDITORS' REPORT

To the Shareholders of Canada Permanent Mortgage Corporation:

We have examined the consolidated balance sheet of Canada Permanent Mortgage Corporation and its subsidiaries as at December 31, 1975 and the consolidated statements of income, general reserve, retained earnings and changes in financial position for the year then ended. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion these consolidated financial statements present fairly the financial position of the Companies as at December 31, 1975 and the results of their operations and the changes in their financial position for the year then ended, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Clarkson, Gordon & Co.
Chartered Accountants.

Toronto, Canada,
January 19, 1976.

Consolidated Statement of Changes in Financial Position

Year ended December 31, 1975
(with comparative figures for 1974)

	1975	1974
Funds provided by:		
Debentures and guaranteed investment certificates issued	\$ 636,245,000	\$ 466,982,000
Demand deposits received less withdrawals	139,859,000	13,738,000
Mortgage principal repayments	179,851,000	172,208,000
Securities sold or redeemed	139,440,000	220,564,000
Operations (before non-cash charges of \$4,829,000; 1974—\$6,262,000)	19,304,000	17,240,000
Other	29,758,000	(4,728,000)
Total provided	\$1,144,457,000	\$ 886,004,000
Funds applied to:		
Debentures and guaranteed investment certificates redeemed	\$ 304,328,000	\$ 192,702,000
Mortgage principal advances	533,246,000	445,898,000
Security investments	176,022,000	195,850,000
Personal and secured commercial loans	87,891,000	12,487,000
Dividends	7,102,000	7,102,000
Bank deposit receipts and cash	35,868,000	31,965,000
Total applied	\$1,144,457,000	\$ 886,004,000

Notes to Consolidated Financial Statements

December 31, 1975

1. Summary of significant accounting policies

The following is a summary of significant accounting policies followed in the preparation of these financial statements:

(a) Consolidation:

The consolidated financial statements include the accounts of Canada Permanent Mortgage Corporation and all subsidiary companies. These subsidiaries are:

Canada Permanent Trust Company	99.9% owned
CanPerm Realty Limited	100.0% owned
The Permanent Commercial Corporation	80.0% owned

The Permanent Commercial Corporation is a newly-incorporated subsidiary formed to arrange term loans to industry and commerce.

(b) Securities and loans:

Bonds and debentures are stated at amortized cost and stocks at cost, together with accrued interest and dividends receivable. Mortgages and other loans are stated at cost plus accrued interest, less repayments and provisions for losses.

Included with personal and secured commercial loans in the consolidated balance sheet at December 31, 1975 are receivables under equipment rental contracts with a carrying value of \$50.2 million. These receivables are recorded in accordance with the financing method of accounting under which income is recognized over the terms of the leases in decreasing amounts as rental payments are received.

(c) Office premises and equipment:

Rates of depreciation, applied on a straight line basis to amortize the cost of fixed assets over their estimated economic lives, are as follows:

Buildings	2½%
Equipment	10-20%
Leasehold improvements	over the terms of the leases

Gains and losses on disposals of fixed assets are included in net income as realized.

(d) Deferred income taxes:

The Companies follow the tax allocation basis of accounting whereby income taxes which are deferred to future years as a result of timing differences between accounting income and income for tax purposes (principally depreciation and mortgage reserve allowances) are set aside as deferred income taxes in the balance sheet.

(e) Fees, commissions and other operating income:

The above items are included in income as received.

2. Securities

Securities held comprise the following:

	1975		1974	
	Stated Value	Market	Stated Value	Market
Bonds and debentures:				
Bonds of or guaranteed by—				
Government of Canada	\$ 24,418,000	\$ 23,494,000	\$ 7,503,000	\$ 6,665,000
Provinces of Canada	43,815,000	40,027,000	49,643,000	45,381,000
Canadian municipalities	4,546,000	3,784,000	6,292,000	5,409,000
Other bonds and debentures	125,777,000	116,304,000	116,339,000	101,348,000
	198,556,000	183,609,000	179,777,000	158,803,000
Stocks:				
Preferred	61,462,000	53,240,000	47,956,000	40,308,000
Common	43,483,000	55,832,000	39,186,000	48,799,000
	104,945,000	109,072,000	87,142,000	89,107,000
Total securities	\$303,501,000	\$292,681,000	\$266,919,000	\$247,910,000

Notes to Consolidated Financial Statements

3. Office premises and equipment

a) Office premises and equipment consist of:

	1975	1974
Land	\$ 4,938,000	\$ 4,309,000
Buildings, equipment and leasehold improvements at cost less accumulated depreciation and amortization	22,305,000	19,874,000
	\$27,243,000	\$24,183,000

b) Depreciation and amortization included in premises and other operating expense in 1975 totalled \$1,870,000 (1974—\$1,684,000).

4. Notes payable

These notes, bearing interest at 11% and repayable in equal blended instalments of principal and interest to 1990, are secured by an assignment of Canada Permanent's rights under an equipment rental contract carried in the consolidated balance sheet at December 31, 1975 at \$34.1 million and by a charge on the related rental equipment.

5. Guaranteed trust account

Included in total assets are assets held for guaranteed trust account of \$1,310 million (1974—\$989 million).

6. Income taxes

A portion of the Companies' income is tax-exempt dividend income; accordingly income taxes as provided in the consolidated statement of income are less than the amount obtained by applying statutory tax rates to operating income before income taxes.

7. Gain on disposal of assets

This consists of:

	1975	1974
Security losses	\$2,585,000	\$3,307,000
Security gains	1,341,000	2,305,000
Net security losses including net non-taxable gains of \$697,000 in 1975 and \$1,068,000 in 1974	1,244,000	1,002,000
Gain on disposal of office premises	612,000	
	632,000	1,002,000
Applicable income tax reduction	749,000	1,040,000
Gain on disposal of assets	\$ 117,000	\$ 38,000

8. Anti-Inflation Program

Effective October 14, 1975 the federal government passed the Anti-Inflation Act and subsequently issued Regulations which are presently scheduled to be in force until December 31, 1978. Under this legislation the Companies are subject to mandatory compliance with controls on revenues, profits, employee compensation and shareholder dividends. While the effect of the controls on the Companies is not yet clear owing to uncertainties as to interpretation of the Regulations, the legislation limits dividends to the shareholders of Canada Permanent Mortgage Corporation to \$1.00 per share during the year ending October 13, 1976.

9. Commitments

At December 31, 1975, contractual obligations in respect of lease rentals were as follows:

	Total amount payable in period
Within five years	\$14,887,000
6 to 10 years	10,943,000
11 to 15 years	6,771,000
16 to 20 years	4,501,000
	\$37,102,000

	1975	1974	1973	1972	1971
Position at year-end	(in thousands of dollars)				
Company assets					
Mortgages	\$2,146,216	\$1,792,821	\$1,532,124	\$1,320,653	\$1,209,258
Other	580,174	420,013	391,223	342,394	342,698
	2,726,390	2,212,834	1,923,347	1,663,047	1,551,956
Estate, trust and agency assets	2,407,591	2,389,737	2,318,914	2,197,924	2,024,689
Total assets under administration	5,133,981	4,602,571	4,242,261	3,860,971	3,576,645
Demand deposits	615,931	476,072	462,334	464,990	397,580
Debentures and guaranteed investment certificates	1,922,412	1,590,495	1,316,215	1,072,005	1,027,681
Total borrowings	2,538,343	2,066,567	1,778,549	1,536,995	1,425,261
Shareholders' equity	114,579	107,206	103,330	95,841	87,939
Number of shares issued	7,101	7,101	7,101	7,101	7,101
Results for the year					
Income	254,562	208,471	174,844	152,995	138,805
Expense					
Interest	178,694	146,688	113,003	98,435	91,928
Staff remuneration	30,729	27,025	22,877	19,682	18,504
Other operating expense	24,074	18,295	15,719	13,035	11,064
Total expense	233,497	192,008	151,599	131,152	121,496
Operating income before income taxes	21,065	16,463	23,245	21,843	17,309
Income taxes	6,707	5,523	9,775	9,100	7,864
Net operating income	14,358	10,940	13,470	12,743	9,445
Security gains and extraordinary items	117	38	264	413	3,277
Net income	14,475	10,978	13,734	13,156	12,722
Statistics per share					
Net operating income	\$ 2.02	\$ 1.54	\$ 1.90	\$ 1.79	\$ 1.33
Net income	2.04	1.55	1.94	1.85	1.79
Dividends	1.00	1.00	.88	.74	.58
Shareholders' equity	16.14	15.10	14.55	13.50	12.38

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and Chief Executive Officer*

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Corporate Planning*

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Regional Operations*

A. C. Langley, *Assistant Vice-President,
Operations*

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Atlantic Region*

P. Desrochers, *Vice-President,
Eastern Region*

A. E. Stead, *Vice-President,
Metro Toronto Region*

H. K. Naylor, *Vice-President,
Central Region*

H. P. Miller, *Vice-President
Western Region*

S. Mentiplay, *Vice-President,
Pacific Region*

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Real Estate Services*

G. B. Clapperton, *Assistant Vice-President,
Personal Trust & Agency Services*

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Mortgage Services*

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Savings Deposit Services*

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Corporate & Pension Trust Services*

Berkeley Hynes, *Assistant Vice-President,
Customer Services*

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Pension Investments*

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Investment Research*

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Fixed Income Investments*

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R. A. G. Stuart, *Assistant Vice-President,
Personnel*

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Marketing*

Corporate Secretary's Division

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R. B. McArthur, *Assistant Vice-President,
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